

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF BRIAN AND MELANIE ) APPEAL NO. 06-A-2563  
SIMPSON from the decision of the Board of Equalization of ) FINAL DECISION  
Kootenai County for tax year 2006. ) AND ORDER

**CATEGORY 10 HOMESITE APPEAL**

THIS MATTER came on for hearing January 18, 2007, in Coeur d'Alene, Idaho, before Hearing Officer Steven Wallace. Board Members Lyle R. Cobbs and David E. Kinghorn participated in this decision. Appellant Brian Simpson appeared for himself. Assessor Mike McDowell, Appraiser Steven Hagler, Residential Appraisal Manager Darin Krier and Attorney Patrick Braden appeared for Respondent Kootenai County. This appeal is taken from a decision of the Kootenai County Board of Equalization (BOE) denying the protest of the valuation for taxing purposes of property described as Parcel No. 50N04W290650.

**The issue on appeal is the market value of a Category 10 homesite.**

**The decision of the Kootenai County Board of Equalization is affirmed.**

FINDINGS OF FACT

The assessed land value is \$185,515, agricultural land for \$3,333 and a homesite acre for \$182,182. The improvements' valuation is \$426,500, for a total value of \$612,015. Appellants originally requested the assessment of the homesite acre be reduced to \$40,000, and the agricultural land and improvements' values remain the same for a total value of \$469,833. At hearing Appellants amended the value claim for the homesite to no more than \$52,000.

The subject property is a 9.773 acre parcel with residential improvements, located in the Cougar Gulch area approximately five miles southeast of Coeur d'Alene, Idaho.

Appellants maintained the homesite assessed should not exceed \$52,000 and that the current assessed value is excessive and does not reflect market value.

Appellants' Exhibit 1 included this computation of homesite value:

Value of 1 acre of vacant land	\$30,000
Access Road	\$12,000
Utilities	\$ 2,430
Septic System	\$ 3,200
Well	\$10,000

Appellants based the value estimate on three comparable sales located within one-half mile of subject. Parcel 1 sold in December, 2005 for \$224,000. The property was described as a seven acre view lot. Taxpayer concluded a price per acre of \$32,000 along with an assumed 2% per month inflationary factor, for an adjusted price of \$39,680. The sales information was derived from the buyer and the terms were cash. There were no improvements or access road to this property at the time of sale.

Parcel 2 sold in June 2006 for \$160,000, or \$21,408 per acre for 7.474 acres.

Parcel 3 contained 5 acres and sold in February 2005 for \$110,000. The price per acre was \$27,280.

According to Appellants, sales information on parcels 2 and 3 was gathered from the buyers and the terms were cash. All three transactions were open market sales.

Appellants maintained there were no improvements on any of the parcels at the time of sale, however there was a contiguous road to either Parcel 2 or 3.

Appellants averaged the sale prices to arrive at a price per acre of \$29,456. Site amenities were then added to the per acre price to arrive at the value claim of \$52,000. Based on a build-up method, Appellants charged the \$182,182 assessed value of subject homesite acre does not reflect market value, nor is it a reasonable, fair or legitimate value.

The amenity values were derived from Appellants' actual costs plus a factor. The actual well cost was \$6,500, however, according to Appellant \$10,000 represents what several

neighbors have paid for wells. It was maintained the cost of well, road and septic systems represented market value because it was based on the actual cost neighbors paid to add such amenities to the vacant land.

Respondent described the subject as an improved property. The last full appraisal took place in 2003. During the revaluation, on-site inspections were conducted to note any changes to the property and to update information contained in the property records. Characteristics of both the improvements and land were noted, including access and topography. The 2006 assessed value included a base value for a one acre homesite of \$140,140 plus a 30% influence factor for a total value of \$182,182. An agricultural exemption was applied to the remaining 8.773 acres reducing the their assessed value to \$3,333. An additional .227 acres was categorized as "waste land" with a value of zero. The County explained the improvements were valued based on a replacement cost minus depreciation.

During the 2003 reappraisal, sales which took place between January 1999 and December 2002 were analyzed to arrive at land values. A remaining acre value of \$3,500 was derived using a matched pair sales analysis. Twenty seven improved sales were analyzed and a base homesite value of \$52,000 was applied. Four of the twenty seven sales were similar to subject . A 130% factor was applied to the base rate for level topography. Fifty-one sales were analyzed to arrive at the market adjustments applied to the base values for the 2004, 2005 and 2006 assessment years.

The Assessor explained assessed values must approximate market value each year. The relationship between assessed values and sales prices was represented by a ratio. Annual ratio studies are conducted to ensure that assessed values are in compliance with Idaho's market value requirements. The studies in each of the years following the 2003 revaluation did meet the

requirements after trending factors were applied.

Upon questioning, Respondent noted the majority of the sales utilized in the County analysis were from the Multiple Listing Services (MLS). Other sales were derived from buyer or seller sale verification letters and owner information on occasion. Respondent did not note where each individual sale was derived in the analysis of subject property.

### CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

The issue in this appeal is the assessed value of the one acre homesite, listed as Category 10 on the assessment notice.

Appellants maintain a base site value derived from averaging three neighboring acreage sales, two of which took place in 2005 and one in 2006. A cost for site amenities was then added to the average acre price to arrive at the value for the Category 10 homesite.

The County explained the homesite value was determined in 2003 from a few vacant land sales but primarily the extraction of land values from improved property sales. After further analysis a value for improved homesite acres was developed. Trends were applied in subsequent years to maintain market value, as required by Idaho Code.

Idaho Code § 63-201(10)

"Market value" means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Idaho Code further requires the assessor to maintain market value and prescribes the

revaluation cycle.

**Idaho Code § 63-314**

**County valuation program to be carried on by assessor.**

(1) It shall be the duty of the county assessor of each county in the state to conduct and carry out a continuing program of valuation of all taxable properties under his jurisdiction pursuant to such rules as the state tax commission may prescribe, to the end that all parcels of property under the assessor's jurisdiction are assessed at current market value. In order to promote uniform assessment of property in the state of Idaho, taxable property shall be appraised or indexed annually to reflect current market value. In order to achieve this goal, at least twenty percent (20%) of the taxable properties in the county shall be included in each year's appraisal, resulting in a complete appraisal of all taxable property every five (5) years, except as provided in subsection (6) of this section. Annually, all taxable property, not actually appraised each year, shall be indexed to reflect current market value for assessment purposes using market value property transactions and results of the annual appraisal of twenty percent (20%) of the taxable property. The county assessor shall maintain in the respective offices sufficient records to show when each parcel or item of property was last appraised. The appraisal required by this section shall include a plan outlining the continuing valuation program. Said plan shall be submitted to the state tax commission for approval on or before the first Monday in February, 1997, and no less frequently than every fifth year thereafter. The state tax commission shall not approve any plan that fails to provide for adequate appraisal and valuation of all taxable properties in any county.

(2) The state tax commission is hereby authorized, empowered and directed to promulgate rules for the implementation of this program, and to provide any such county assessor with such supervision and technical assistance as may be necessary.

(3) The county commissioners of each county shall furnish the assessor with such additional funds and personnel as may be required to carry out the program hereby provided, and for this purpose may levy annually a property tax of not to exceed four-hundredths percent (.04%) of the market value for assessment purposes on all taxable property in the county to be collected and paid into the county treasury and appropriated to the property valuation fund which is hereby created.

(4) If compliance with the requirements of subsection (1) of this section is not obtained, or if any county fails to meet the goals set in subsection (1) of this section, the state tax commission may proceed as required by section 63-316, Idaho Code.

(5) As used in this section the term "adequate appraisal and valuation of all taxable properties in any county" means a process which includes a field inspection of at least twenty percent (20%) of the taxable properties each year. Appraisal also includes collection, verification and analysis of market value sales, applicable income and expense data and building cost information, and application of this information to predict market value.

Although different types of property are by their nature more amenable to valuation by one method of appraisal than another the touchstone in the appraisal of property for ad valorem purposes is the fair market value of that property. Merris v. Ada County, 100 Idaho 59 at 63, 593 P.2d 394 (1979).

Appellants added the cost of site improvements to the average price per acre of large acreage sales to arrive at a homesite value. On the surface this appears to be a reasonable approach to estimate the value of an improved acre. However, the County explained there is additional consideration imbedded in the first homesite acre.

The homesite acre is the appraisal unit. The more comparable property would be closer in size to one acre. As argued by the County, the first acre uniquely possesses the right to develop, build on and use as a residence. For assessment purposes, this premium should not be spread over the remaining agricultural acres.

On the proper homesite value, we are persuaded to support the County assessment.

The Kootenai County Board of Equalization is affirmed.

#### FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Kootenai County Board of Equalization concerning the subject parcel be, and the same hereby is, affirmed.

DATED this 27th day of April 2007.